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Filed via regcomments@ncua.gov

April 27, 2015

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: NCUA's Risk Based Capital Proposal, RIN 3133-AD77

Dear Mr. Poliquin:

I appreciate the opportunity to submit comments to the National Credit Union Administration (NCUA) Board's request for comments on the NCUA's second proposed-risk based capital rule (RBC2). While the new proposal is an improvement over the original proposal, there several areas that concern me.

Cooperative Structure of Credit Unions

While NCUA has a legal requirement to establish a risk-based capital system similar to the FDIC, that system should consider the cooperative structure of credit unions in doing that. As a cooperative, decisions are made that consider the impact on our member/owners. We always consider what is affordable and in the best interests of the member. While being profitable is required, it plays a secondary role, even though it is the primary way we build capital. The impact of this can best be shown in how our capital ratio was impacted during the recession. Our Credit Union's Capital Ratio was 9.52% in 2007, then fell to 8.51% in 2009 but has recovered to 11.27% at the end of 2014. I would attribute this to our conservative underwriting and attention to working in the member's best interest. As our industry's regulatory side becomes a mirror image of the banking industry, it appears we are moving away from what made us unique and able to survive the recession.

Risk Weights

The changes to weightings in RBC2 are an improvement and appear to be more in line with the banking regulation. However, RBC2's risk weights appear to be too high in critical areas, given credit unions' level of risk. They should be lower than what the federal bank regulators require for assets such as mortgage loans, member business loans, servicing and certain investments. Lower risk weightings for credit unions are appropriate given their different incentives to manage risk as compared to banks, and lower loss history!

Several categories seem to be troubling. The 250% risk weighting for mortgage servicing, which was unchanged from the first proposal and is the same as for banks, is too high. The impact of this will be to discourage credit unions from servicing the loans they originate. For credit unions that focus on building relationships, this makes it very difficult. It becomes more about balance sheet management and less about our members!

Another area is the risk weight for unconsolidated CUSO investments is still too high and should be the same as CUSO loans, which is 100% under RBC2. CUSO's are a great opportunity for credit unions to collaborate for everyone's benefit. Again it becomes more about balance sheet management and less about the member!

Interest Rate Risk

An important positive was that interest rate risk (IRR) was taken out of RBC2. However, it was noted that IRR would be handled separately. It is our opinion that a separate Interest Rate Risk Rule is not needed because Examiners already have sufficient tools to supervise IRR. Over the past few years, NCUA has issued rules and letters addressing IRR. We have documented the requirements in policies and have added procedures to ensure we are properly managing this risk. Examiners have the tools they need to guide and review individual credit unions, given their unique circumstances. Are more IRR rules needed or is another approach that would target those "outlier" credit unions that should be subjected to greater review a better answer?

In summary, I have limited my comments to those areas that would impact our credit union the most. Numerous voices have questioned the need for this regulation and I agree with them. We continue to see consolidations in our industry. I have heard first hand that regulatory burden was a factor in their decision. Are we on a path to regulate our industry away? The Credit Union business model did not create the last recession. Perhaps targeting the reasons credit unions get into trouble would be a more effective approach than requiring more capital! Banks have had risk-based capital requirements for nearly a quarter century, but this approach didn't prevent the latest crisis or stop significant failures in the banking system.

Thank You!

Jack Peplinski

Jack Peplinski

President/CEO

Altra Federal Credit Union